

# Equity Crowdfunding Platform for Green MSME Financing



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for sustainable development



## Background

The COVID-19 pandemic has had a multidimensional impact on various aspects of people's lives, including economic activities. Many micro-, small- and medium-sized enterprises (MSMEs), which provide employment for tens of millions of workers, have become stagnant. MSMEs suffer losses due to changes in people's consumption patterns and newly enforced health protocols, among other factors. Although the Government of Indonesia has recently launched the National Economic Recovery Policy (PEN) where most of the programmes aim to ease access to business credit, subsidized credit interest, as well as grants for micro businesses, not all MSMEs are interested in accessing this higher risk debt financing. Moreover, many MSMEs are not eligible for business loans, as they cannot prove their creditworthiness. This is particularly the case for green MSMEs.

## Solution Overview

The proposed *Equity Crowdfunding Platform for Green MSME Financing* solution builds on existing efforts to use public capital to spur MSME growth. This solution will:

- **Focus on green MSMEs**, an untapped niche within existing crowdfunding platforms.
- **Attract private investors by offering a pipeline of bankable MSMEs** in a one-stop-shop for MSME financing.
- **Aggregate green MSMEs through partner business development service providers** (or intermediaries), where finance is released to MSMEs in aggregate working with the specific BDS provider who has delivered cleaner production and green business advisory to the specific MSMEs integrated into the platform.

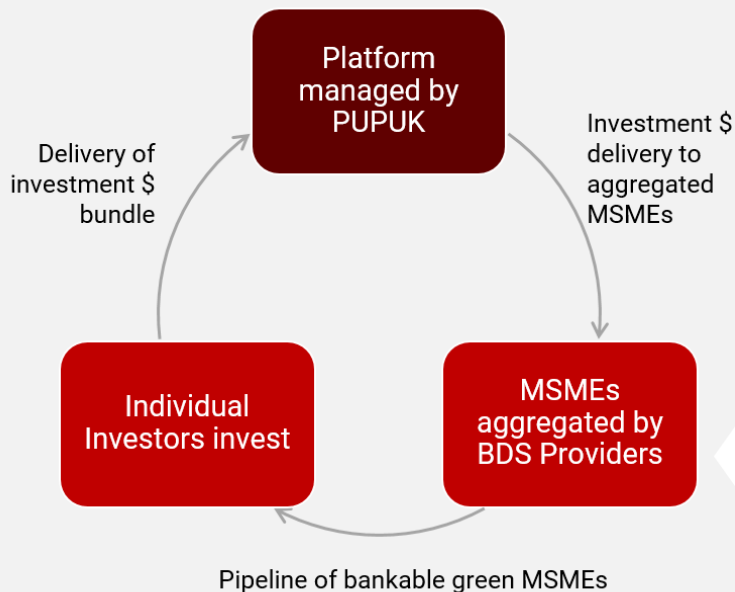
<b>Focus:</b>	Climate Change Mitigation & Adaptation
<b>Instrument Type:</b>	Access to Finance
<b>Lab Cycle:</b>	Climate Finance, Indonesia 2020
<b>Challenge Hosted by:</b>	Perkumpulan Untuk Peningkatan Usaha Kecil (PUPUK)



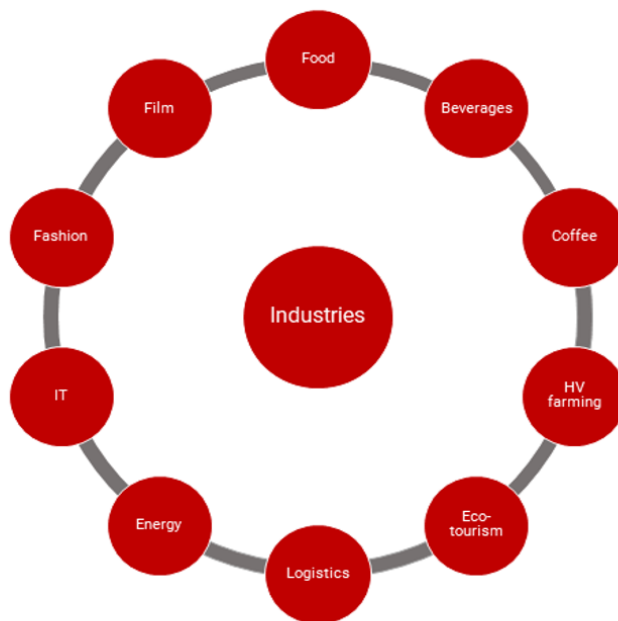
## Key Features

This climate finance solution for an equity crowdfunding solution developed by PUPUK addresses core challenges with access to finance for green MSMEs, particularly through its key features, including:

- Individual investors would be able to fund lower **ticket sizes of up to IDR 500.000.000** in working capital per MSME.
- **MSMEs do not require collateral** as the reliability of MSMEs applying to the platform is vouched for by the partnering BDS providers, thereby guaranteeing that MSMEs applying to the platform are green and reliable.
- MSMEs do not require documentation to comply with government regulations, as the **crowdfunding platform is in full compliance with regulations** in Indonesia (OJK 2018).



## Target sectors for green MSME pipeline building



## Target Market

BDS providers will select MSMEs who they are supporting with cleaner production or green business development to take part in the crowdfunding platform, with a **focus on micro- and small- businesses**. In particular, the platform will target **MSMEs operating in the following sectors**: food, beverage, HV farm, health, logistics, IT, eco-tourism, fashion, film, coffee, and energy.

All MSMEs will actively be engaged in **green or cleaner production activities** to ensure that they:

- Avoid harm to the environment (for example, by reducing greenhouse gas emissions or improving the energy efficiency of their business activities); or
- Actively contribute to designing and selling environmentally sustainable products and services.

## Impact Potential

According to the World Bank's Enterprise Survey report for Indonesia, only 18% of MSMEs access bank loans or formal credit lines (World Bank 2010). Through this platform, firms that have experienced difficulties with raising capital through traditional channels and whose growth was constrained as a consequence thereof can now make use of this funding instrument to grow. This equity crowdfunding platform offers green MSMEs to share their business success, learn about financing opportunities and receive the financing they need to scale their business as well as their environmental, social and economic impacts.

## Solution Developer

This solution leverages PUPUK's experience in working with green MSMEs and within the Asian Cleantech MSME Financing Network (ACMFN). PUPUK has a strong network of consultants and technical assistance officers across Indonesia that provide support to green or cleaner producing MSMEs.

**Contact Person:** Early Rahmawati,  
[early\\_rahmawati@pupuk.or.id](mailto:early_rahmawati@pupuk.or.id)



**SEED Practitioner Labs Climate Finance** empower participants during the hands-on and collaborative Labs process to turn major financing challenges into robust prototypes. SEED Practitioner Labs Climate Finance are part of the implementation of "Financing and capacity building for micro and small climate-smart enterprises: Filling the gap of the missing middle", a project supported by the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety.